



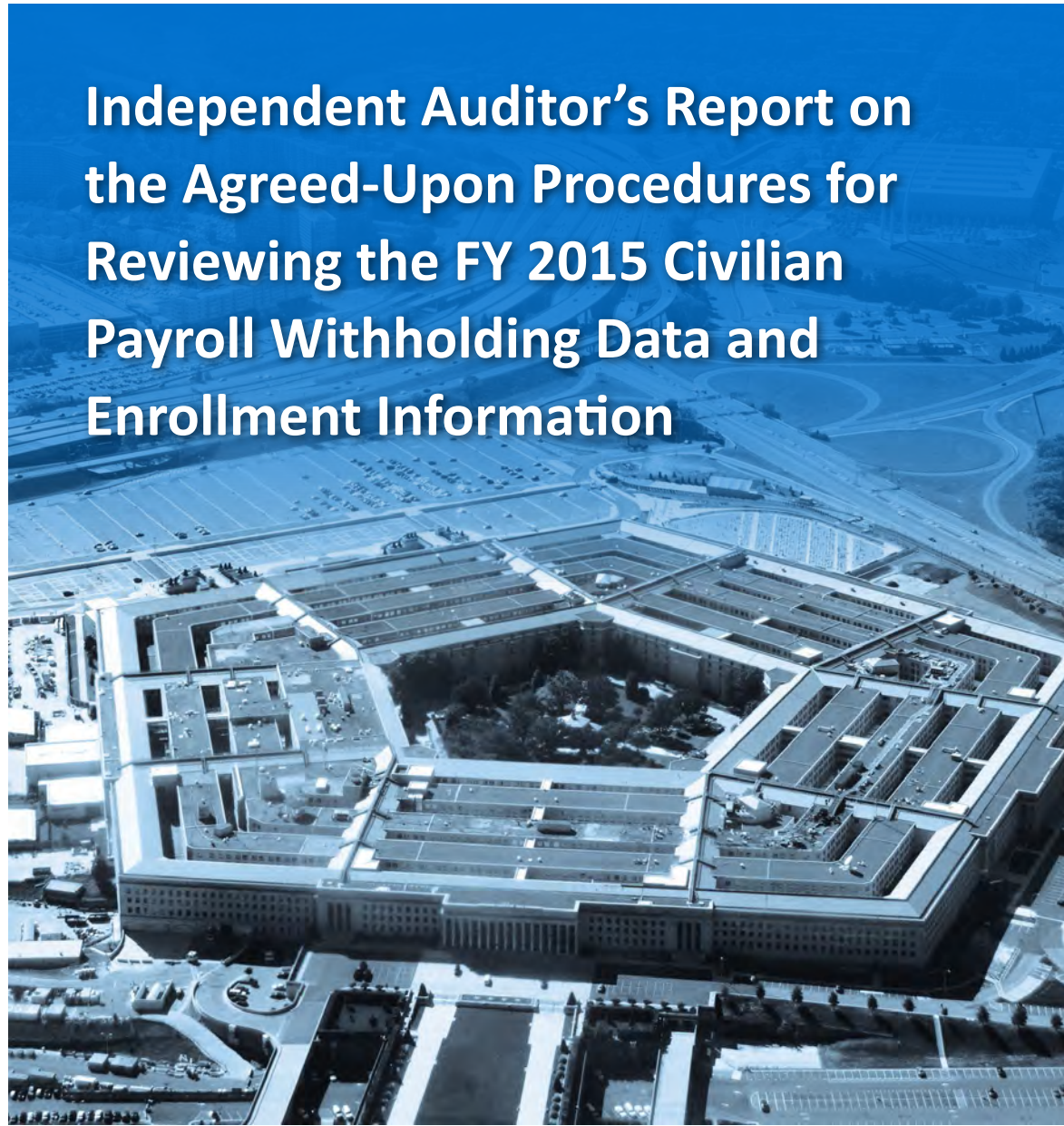
# INSPECTOR GENERAL

*U.S. Department of Defense*

SEPTEMBER 18, 2015



## Independent Auditor's Report on the Agreed-Upon Procedures for Reviewing the FY 2015 Civilian Payroll Withholding Data and Enrollment Information



INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

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*Our vision is to be a model oversight organization in the Federal Government by leading change, speaking truth, and promoting excellence—a diverse organization, working together as one professional team, recognized as leaders in our field.*



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**INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
4800 MARK CENTER DRIVE  
ALEXANDRIA, VIRGINIA 22350-1500**

September 18, 2015

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CHIEF  
FINANCIAL OFFICER, DOD  
UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS  
ASSISTANT SECRETARY OF THE AIR FORCE  
(FINANCIAL MANAGEMENT AND COMPTROLLER)  
CHIEF, NATIONAL GUARD BUREAU  
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE  
DIRECTOR, DEFENSE LOGISTICS AGENCY  
NAVAL INSPECTOR GENERAL  
AUDITOR GENERAL, DEPARTMENT OF THE ARMY  
INSPECTOR GENERAL, DEPARTMENT OF ENERGY  
INSPECTOR GENERAL, DEPARTMENT OF HEALTH AND  
HUMAN SERVICES  
INSPECTOR GENERAL, DEPARTMENT OF VETERANS AFFAIRS  
INSPECTOR GENERAL, OFFICE OF PERSONNEL MANAGEMENT

SUBJECT: Independent Auditor's Report on the Agreed-Upon Procedures for Reviewing the  
FY 2015 Civilian Payroll Withholding Data and Enrollment Information  
(Report No. DODIG-2015-176)

We are providing this final report for your information and use.

We appreciate the courtesies extended to the staff. Please direct questions to me at  
(703) 601-5945.

A handwritten signature in black ink that reads "Lorin T. Venable".

Lorin T. Venable, CPA  
Assistant Inspector General  
Financial Management and Reporting





**INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE**  
4800 MARK CENTER DRIVE  
ALEXANDRIA, VIRGINIA 22350-1500

September 18, 2015

The Honorable Patrick E. McFarland  
Inspector General  
U.S. Office of Personnel Management  
Theodore Roosevelt Federal Building  
1900 E Street NW, Room 6400  
Washington, D.C. 20415-0001

Subject: Independent Auditor's Report on the Agreed-Upon Procedures for Reviewing the  
FY 2015 Civilian Payroll Withholding Data and Enrollment Information  
(Project No. D2015-D000FP-0138.000)

Dear Mr. McFarland:

We performed the procedures described in the Enclosure, which were agreed to by the Chief Financial Officer and the Inspector General (IG) of the U.S. Office of Personnel Management (OPM). We performed these procedures solely to assist in assessing the reasonableness of the employee withholdings and employer contributions that the Defense Finance and Accounting Service (DFAS) reported on Standard Form 2812, "Report of Withholdings and Contributions for Health Benefits, Life Insurance, and Retirement," for the pay periods ending August 23, 2014; September 6, 2014; November 29, 2014; February 21, 2015; and March 7, 2015. We also performed these procedures to assist in assessing the reasonableness of the amounts reported in the, "Supplemental Semiannual Headcount Report," as of September 2014 and March 2015. The reports submitted by DFAS included information for the following entities listed in Appendix A of the Office of Management and Budget, Bulletin No. 14-02, "Audit Requirements for Federal Financial Statements":

- Department of Defense (DoD),
- Department of Energy (DoE),
- Department of Health and Human Services (HHS), and
- Department of Veterans Affairs (VA).

In addition, we performed procedures to assist OPM in identifying and correcting errors in processing and distributing Combined Federal Campaign (CFC) payroll deductions.

Using ACL software, we randomly selected a sample of 385 out of 1.2 million employees from the November 29, 2014, pay period from 11 DFAS payroll data files.<sup>1</sup> We compared the sample of 385 employees' pay and withholdings and agency contributions in the Defense Civilian Pay

<sup>1</sup> The eleven DFAS payroll data files we used were Army, Navy, Air Force, Other Defense Organizations, Military Sealift Command, Overseas Army DoD, Overseas DoD, Shipyard DoD, DoE, HHS, and VA.



System (DCPS) to the documentation in the Official Personnel Files (OPFs). Of the 385 OPFs, 220 represented Department of Defense (DoD) employees, 55 represented DoE employees, 55 represented HHS employees, and 55 represented VA employees.

Auditors from the DoE and HHS Offices of Inspector General (OIG) performed the agreed-upon procedures to review their agency OPFs. We reviewed their working papers and determined that we could rely on their work.

We performed the agreed-upon procedures in accordance with generally accepted Government auditing standards, which incorporate financial audit and attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the OPM Chief Financial Officer and the OPM IG. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to express an opinion on whether the health benefits, life insurance, and retirement contributions and withholdings, or the enrollment information submitted by DFAS to OPM were reasonable and accurate. Accordingly, we did not conduct an examination, nor did we express such an opinion. Had we performed additional procedures, other matters might have come to our attention that we would have reported to you. We provided a discussion draft of this report to the entities listed in the transmittal memorandum.

This report is intended solely for the information and use of the OPM Chief Financial Officer and OPM IG and is not intended to be used by those who have not agreed to the procedures or have not taken responsibility for the sufficiency of the procedures for their purposes. However, the report is a matter of public record, and its distribution is not limited; thus, we will post the report on our website and provide copies upon request.

Sincerely,

A handwritten signature in dark ink that reads "Lorin T. Venable". The signature is written in a cursive, flowing style.

Lorin T. Venable, CPA  
Assistant Inspector General  
Financial Management and Reporting

Enclosure:  
As stated

# Enclosure: Agreed-Upon Procedures Performed and Results

This section contains the Office of Personnel Management (OPM) Agreed-Upon Procedures (AUPs) and the results of completing those procedures.

## Overall Procedure

For employee benefit withholdings and contributions, obtain the Agency Payroll Provider's (APP's) September 2014 and March 2015 Semiannual Headcount Report submitted to OPM and a summary of the Retirement and Insurance Transfer System (RITS) submissions for September 2014 and the current fiscal year. For each program (retirement, health, and life), select a total of three RITS submissions for September 2014 and the current FY 2015; two will coincide with the September 2014 and March 2015 Semiannual Headcount Reports.<sup>2</sup> Obtain payroll information for the periods covered by the RITS submissions selected.

For the Combined Federal Campaign (CFC) payroll deductions, obtain the following documentation for the Federal agencies serviced by the APP:

- a. A list of all field offices/duty stations in existence during the fall 2014 CFC solicitation period (September 1, 2014 through December 31, 2014) for each Federal agency serviced. The list must include the OPM Office Duty Station Code or the county, city, state, and zip code for the field office.
- b. A list of all local CFC campaigns and the areas they cover. This list should be obtained directly from OPM CFC by sending an e-mail request to [cfc@opm.gov](mailto:cfc@opm.gov). The subject line of the e-mail should be "Payroll Office AUPs-2014 CFC Campaign Location List Request."
- c. A list of accounting codes used by the APP to identify each local CFC campaign. The list should include the accounting code, name of campaign, name of Principal Combined Fund Organization (PCFO) for that campaign, and address of PCFO.
- d. A report of all employees with CFC deductions as of the March 2015 Semiannual Headcount, pulled from the RITS submission. The report must include each employee's official duty station location and the APP's accounting code to identify the receiving campaign for each employee's CFC deductions.

*Note: Hereinafter, the term payroll information refers to all payroll information, whether it is a payroll register, payroll data files, or other payroll support data.*

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<sup>2</sup> The September 2014 Semiannual Headcount Report consisted of the following two payroll periods: August 23, 2014, and September 6, 2014. The March 2015 Semiannual Headcount Report consisted of the following two payroll periods: February 21, 2015 and March 7, 2015. Therefore, to comply with the procedures, we needed to obtain the payroll information for two payroll periods for each Semiannual Headcount Report. In addition, we selected the November 29, 2014, payroll period for the third RITS submission. As a result, we reviewed a total of five payroll periods instead of the three suggested for this AUP.

## Procedure 1.

Compare RITS submission data to the payroll information by performing the following procedures:<sup>3</sup>

### ***Procedure 1.a.***

Recalculate the mathematical accuracy of the payroll information.

### ***Procedure 1.b.***

Recalculate the mathematical accuracy of each RITS submission for the payroll information selected in step 1.a.

### ***Procedure 1.c.***

Compare the employee withholding information at the aggregate level for retirement, health benefits, and life insurance (as adjusted for reconciling items) obtained in step 1.a. to the related amounts shown on the RITS submission for the corresponding period.

Report any differences for each of the retirement, health benefits, and life insurance (categories) for step 1.c. that are over 1 percent of the aggregate amount reported for each of the three categories. Obtain an explanation of the differences over 1 percent from the management official.

## *Results*

We did not identify any differences for this comparison.

## Procedure 2.

Perform detail testing of a random sample of transactions as follows:

### ***Procedure 2.a.***

Randomly select a total of 25 individuals who were in the payroll system for all three of the RITS submissions selected above and who meet all the following criteria:

- covered by Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS);
- enrolled in the Federal Employees Health Benefits Program (FEHB);
- covered by Basic Life Insurance; and
- covered by at least one Federal Employees' Group Life Insurance (FEGLI) optional coverage (Option A, B, or C).

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<sup>3</sup> Note: For cross-servicing agencies, if the internal controls are the same for all agencies serviced, it is only necessary to perform this procedure for one agency.



In addition, 1) randomly select five individuals who are under the FERS–Revised Annuity Employees system (FERS-RAE) to test that their FERS-RAE contribution rate was calculated correctly and 2) randomly select five individuals who are under the FERS–Further Revised Annuity Employees system (FERS-FRAE) to test that their FERS-FRAE contribution rate was calculated correctly.<sup>4</sup>

## ***Procedure 2.b.***

Obtain the following documents, either in electronic or hard copy format, from the Official Personnel File (OPF) for each individual selected in step 2.a. Hard copies can be originals or certified copies.

- All Notifications of Personnel Actions [Standard Form – 50 (SF-50)] covering the pay periods in the RITS submissions chosen.
- The Health Benefits Election Form (SF-2809) covering the pay periods in the RITS submissions chosen or, if applicable, obtain a report (via the agency personnel office) from the agency’s automated system that allows participants to change benefits, (e.g., Employee Express), for any health benefits transactions in that system for the individuals selected in step 2.a.;<sup>5</sup> and for health benefits, compare date of transaction with date on the certified copy of the SF-2809 or the agency’s automated system report obtained above to identify whether the health benefit information to be used in the step 2.f. covers the pay periods in the RITS submissions chosen.
- The Life Insurance Election Form (SF-2817) covering the pay periods in the RITS submission chosen.<sup>6</sup>

## ***Results***

Of the 245 OPFs reviewed, a total of 31 documents were incomplete, missing, or processed late. Under these categories, we found 5 documents from the Army, 6 documents from the Navy, 2 documents for the Air Force, 3 documents from the Other Defense Organizations (ODO), and 13 documents from Department of Veterans Affairs (VA). Department of Energy (DoE) and Department of Health and Human Services (HHS) auditors identified one document each for a total of two documents. See Table 1 for the number and type of documents that were incomplete, missing, or processed late, listed by organization.

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<sup>4</sup> Note: Employees covered by FERS include Federal employees covered by FERS-RAE – effective date January 1, 2013. For more information and the FERS-RAE contribution rates, see BAL 12-104 available on the OPM Web site at <http://www.opm.gov/retire/pubs/bals/2012/12-104.pdf>.

In addition, employees covered by FERS include Federal employees covered by FERS-FRAE – effective date January 1, 2014. For more information and the FERS-FRAE contribution rates, see BAL 14-102 and BAL 14-107 available on the OPM Web site at <http://www.opm.gov/retirement-services/publications-forms/benefits-administration-letters>.

If a payroll provider has not implemented FERS-FRAE rates, there is no need to test for FRAE withholding. Then, the payroll provider must document that fact in its AUPs report as well as the “management’s response,” including a listing of what other agencies are affected.

<sup>5</sup> Note: A new SF-2809 is needed only if an employee is changing health benefit plans; therefore, the form could be many years old.

<sup>6</sup> Note: A new SF-2817 is needed only if an employee is changing life insurance coverage; therefore, the form could be many years old.

*Table 1. Number and Type of Documents that were Incomplete, Missing, or Processed Late by Organization*

	SF-50		SF-2809	SF-2817		
Organization	Missing	Processed Late	Missing	Incomplete	Missing	Total
Army		1	1		3	5
Navy		5		1		6
Air Force		2				2
Army National Guard						0
Air National Guard						0
ODO			1		2	3
DoE		1				1
HHS					1	1
VA	5		5		3	13
<b>Total</b>	<b>5</b>	<b>9</b>	<b>7</b>	<b>1</b>	<b>9</b>	<b>31</b>

### ***Procedure 2.c.***

For each individual selected in step 2.a., compare the base salary used for payroll purposes to the base salary reflected on the employee's SF-50. Report any differences identified in this step and obtain management's explanation for the differences.

### ***Results***

Auditors identified a total of 11 differences. We found one difference for Army, five differences for Navy, two differences for Air Force, and two differences for VA. These differences occurred because the applicable SF-50s were processed late or were missing. DoE auditors identified one difference. The DoE difference occurred because the SF-50 was processed late.

### ***Procedure 2.d.***

For each individual selected in step 2.a., compare the retirement plan code from the employee's SF-50 to the plan code used in the payroll system. Report any differences resulting from this step and obtain management's explanation for the differences.

### ***Results***

We identified three differences for VA. These differences occurred because the SF-50s were missing.

### ***Procedure 2.e.***

For each individual selected in step 2.a., calculate the retirement amount to be withheld and contributed for the plan code from the employee's SF-50, by multiplying the base salary from the employee's SF-50 by the official withholding and contribution rates required by law. Compare the calculated amounts to the actual amounts withheld and contributed for the retirement plan. Report any differences resulting from this step and obtain management's explanation for the differences.

### ***Results***

Auditors identified a total of 13 differences. We found one difference for Army, five differences for Navy, two differences for Air Force, and four differences for VA. These differences occurred because the SF-50s were missing or processed late. DoE auditors identified one difference. The DoE difference occurred because the SF-50 was processed late.

### ***Procedure 2.f.***

For health benefits for each individual selected in step 2.a., compare the employee withholdings and agency contributions to the official subscription rates issued by OPM for the plan and option elected by the employee, as documented by an SF-2809 in the employee's OPF or automated system that allows the participant to change benefits (e.g., Employee Express). Report any differences resulting from this step and obtain management's explanation for the differences. The health benefits rates can be found on OPM's website at <http://www.opm.gov/insure/health/rates/index.asp>.

### ***Results***

We identified a total of seven differences. We found one difference for Army, one difference for ODO, and five differences for VA. These differences occurred because the applicable SF-2809s were missing.

### ***Procedure 2.g.***

For life insurance for each individual selected in step 2.a., confirm that Basic Life Insurance was elected by the employee by inspecting the SF-2817 documented in the employee's OPF. Report any differences resulting from this step and obtain management's explanation for the differences.

### ***Results***

Auditors identified a total of seven differences. We found one difference for Army, two differences for ODO, and three differences for VA. These differences occurred because the SF-2817s were missing. The HHS auditors identified one difference. The HHS difference occurred because the applicable SF-2817 was missing.

### ***Procedure 2.h.***

For each individual selected in step 2.a., calculate the withholding and contribution amounts for Basic Life Insurance using the following:

- For employee withholdings, round the employee's annual base salary up to the nearest thousand dollars and add \$2,000. Divide this total by 1,000 and multiply by the rate required by law. The life insurance rates are on OPM's website at <http://www.opm.gov/insure/life/rates/index.asp>.
- For agency contributions, divide the employee withholdings calculated above by two.

Compare the calculated employee withholdings and agency contributions to the actual amounts withheld and contributed for Basic Life Insurance. Report any differences resulting from this step and obtain management's explanation for the differences.

### ***Results***

Auditors identified a total of 15 differences. We found two differences for Army, four differences for Navy, two differences for ODOs, and five differences for VA. These differences occurred because the SF-2817s were missing. In addition, in some instances, the SF-50s were missing or processed late resulting in an inaccurate basic life insurance withholding and calculation. DoE and HHS auditors identified one difference each for a total of two differences. The DoE difference occurred because the applicable SF-50 was processed late. The HHS difference occurred because the applicable SF-2817 was missing.

### ***Procedure 2.i.***

For life insurance for each individual selected in step 2.a., compare optional coverage elected as documented on the SF-2817 in the employee's OPF to the optional coverage documented in the payroll system. Report any differences resulting from this step and obtain management's explanation for the differences.

### ***Results***

Auditors identified a total of eight differences. We found two differences for Army, two differences for ODOs and three differences for VA. These differences occurred because the applicable SF-2817s were missing. The HHS auditors identified one difference. The HHS difference occurred because the applicable SF-2817 was missing.

### ***Procedure 2.j.***

For each individual selected in step 2.a., calculate the withholding amounts for the life insurance options selected by the individual using the following:

- For Option A, locate the employee's age group using the age groups provided for Option A in the FEGLI Program Booklet. The withholding amount to be used is the

rate listed in the FEGLI Program Booklet for that age group. Compare the calculated amount to the amount withheld for Option A life insurance. Report any differences resulting from this step and obtain management's explanation for the differences.

- For Option B, inspect the SF-2817 to obtain the number of multiples chosen for Option B. Locate the employee's age group using the age groups provided for Option B in the FEGLI Program Booklet. Round the employee's annual rate of basic pay up to the next 1,000, divide it by 1,000, and then multiply it by the rate for the respective age group. Multiply this amount by the number of multiples chosen for Option B life insurance. Compare the calculated amount to the amount withheld for Option B life insurance. Report any differences resulting from this step and obtain management's explanation for the differences.
- For Option C, inspect the SF-2817 to obtain the number of multiples chosen for Option C. Locate the employee's age group using the age groups provided for Option C in the FEGLI Program Booklet. Multiply the rate for the age group by the number of multiples chosen for Option C life insurance. Compare the calculated amount to the amount withheld for Option C life insurance. Report any differences resulting from this step and obtain management's explanation for the differences.

## **Results**

Auditors identified a total of 12 differences. We found two differences for Army, two differences for Navy, two differences for ODO and four differences for VA. These differences occurred because the applicable SF-2817s or SF-50s were missing. In addition, in some instances, the SF-50s were processed late resulting in an inaccurate basic life insurance withholding and calculation. DoE and HHS auditors identified one difference each for a total of two differences. The DoE difference occurred because the applicable SF-50 was processed late. The HHS difference occurred because the applicable SF-2817 was missing.

## **Procedure 3.**

Randomly select a total of 10 employees who have no health benefits withholdings from the payroll information corresponding to the three RITS submissions selected above and perform the following for each employee selected.

### **Procedure 3.a.**

Obtain SF-2809s covering the pay periods in the RITS submissions chosen from the selected employee's OPF or, if applicable, obtain a report (via the agency personnel office) from the agency's automated system for any health benefit transactions in that system for the individuals selected. The SF-2809 obtained may be in electronic or hard copy format.

Hard copies can be originals or certified copies. Inspect the documentation, either the SF-2809 or the agency's system-generated report, to identify whether health benefits coverage was not elected. This can be identified in the following ways:

- absence of an SF-2809 in the OPF and no election of coverage made through the agency's automated system; or
- an SF-2809 in the OPF with Section E checked (indicating cancellation of coverage) and no later election of coverage through the agency's automated system; or
- cancellation of coverage through the agency's automated system and no later election of coverage with an SF-2809.

### ***Procedure 3.b.***

Compare the result in step 3.a. to the RITS submissions. Report any differences resulting from this step and obtain management's explanation for the differences.

### ***Results***

We did not identify any differences for this comparison.

## **Procedure 4.**

Randomly select a total of 10 employees who have no life insurance withholdings from the payroll information corresponding to the three RITS submissions selected above and perform the following for each employee selected.

### ***Procedure 4.a.***

Obtain the SF-2817s covering the pay periods in the RITS submissions chosen, either in electronic or hardcopy format, from the selected employee's OPF. Hard copies can be originals or certified copies. Inspect the SF-2817 to identify that the employee waived or cancelled basic life insurance coverage.

### ***Procedure 4.b.***

Compare the result in step 4.a. to the RITS submissions. Report any differences resulting from this step and obtain management's explanation for the differences.

### ***Results***

We identified a total of three differences. We found one difference for ODO, one difference for DoE, and one difference for VA. These differences occurred because the applicable SF-2817s were missing or incomplete.



## Procedure 5.

Calculate the headcount reflected on the September 2014 and March 2015 Semiannual Headcount Report selected, as follows.

### ***Procedure 5.a.***

Obtain existing payroll information (from step 1.a.) supporting each Supplemental Semiannual Headcount report. If existing payroll data are not available, obtain a payroll system query that summarizes detailed payroll data supporting each Supplemental Semiannual Headcount Report, as follows:

- Benefit category (see Semiannual Headcount Report),
- Dollar amount of withholdings and contributions,
- Number enrolled (deductions made/no deductions),
- Central personnel data file code, and
- Aggregate base salary.

### ***Procedure 5.b.***

Recalculate the headcount reflected on each Semiannual Headcount Report. If an electronic file is not available, a suggested method of recalculating the headcount is as follows:

(1) estimate the number of employees per payroll register page by counting the employees listed on several pages, (2) count the number of pages in the payroll register, and (3) multiply the number of employees per page by the number of pages, or count (using a computer audit routine) the number of employees on the payroll data file for the period.

### ***Procedure 5.c.***

Compare the payroll information obtained in step 5.a. and the calculated headcount from step 5.b. to the information shown on each respective Semiannual Headcount Report.

### ***Procedure 5.d.***

Report any differences (e.g., gross rather than net) greater than 2 percent between the headcount reporting on each respective agency Semiannual Headcount Report and payroll information from step 5.a. and the calculated headcount from step 5.b. Refer to the management official for an explanation for the differences.

## *Results*

We identified seven differences greater than 2 percent when we compared the Semiannual Headcount Reports to the information in the DCPS data. We found two differences between employee headcount listed in the September Semiannual Headcount Report and headcount

listed in the DCPS data. There was one headcount difference of 3.00 percent in the ODO Payroll Office and one difference of 2.75 percent in the Overseas DoD Payroll Office. DFAS personnel stated that these differences occurred for the following reasons:

- employee separation information was incomplete,
- a retroactive transaction was not processed because of an invalid condition,
- an employee was reactivated in DCPS to receive a retroactive amount, and
- human resource personnel did not properly process employees' separations.

We found the remaining five differences when we compared the total base pay, retirement, health benefits and life insurance totals in the September Semiannual Headcount Report with that shown in DCPS data. We identified four differences of 2.88 percent, 3.00 percent, 2.87 percent, and 2.74 percent in the ODO Payroll Office; and one difference of 2.48 percent in the VA Payroll Office. DFAS management did not explain the differences.

## **Procedure 6.**

Calculate employer and employee contributions for retirement, health benefits, and life insurance as follows:

### ***Procedure 6.a.***

Calculate retirement withholdings and contributions for the three pay periods selected in step 1.a., as follows:

#### **Procedure 6.a.i.**

Multiply the CSRS and FERS payroll base by the withholding and employer contribution rates required by law.

#### **Procedure 6.a.ii.**

Compare the calculated totals from step 6.a.i. to the related amounts shown on the RITS submissions. Report any differences (e.g., gross rather than net) between the calculated amounts and the amounts reported on the RITS submissions that are greater than 5 percent of the amounts on the RITS submission, and obtain management's explanation for the differences.

## ***Results***

We identified one difference greater than 5 percent for the CSRS comparison. The Army Payroll Office had a 6.09-percent agency contribution difference for the pay period ending March 7, 2015. DFAS management did not provide an explanation for the difference.

For the FERS and FERS-FRAE comparison, we identified four differences that were greater than 5 percent. The Overseas DoD Payroll Office had a 7.29-percent difference and the Military Sealift Command Payroll Office had a difference of 14.49 percent on employee

withholding for the pay period ending November 29, 2014. The Veterans Affairs Payroll Office had a 999.74-percent agency contribution difference for the pay period ending November 29, 2014, and a 1,376.92-percent agency contribution difference for the pay period ending March 7, 2015. DFAS Management stated the significant differences occurred because DCPS truncates the total FERS line on the SF-2812 by \$100 million. For example, instead of reporting \$109,295,624.98 on the FERS line only \$9,295,624.98 was reported on the FERS line. As a result, the amounts we used for FERS agency contributions were off by \$100,000,000.00. To confirm the amount that DFAS reported to OPM, we requested that DFAS provide documentation showing the amount they reported to OPM. However, DFAS was unable to provide us documentation because information is removed from DCPS after 180 days. Therefore, we followed up with OPM and they confirmed that DFAS reported \$109,295,624.98 on the FERS line. Based on this new information we re-performed our analysis and determined that the difference for pay period ending November 29, 2014, was 4.97 percent, and the difference for pay period ending March 7, 2015, was .24 percent, which are below the 5-percent threshold for this procedure.

For the FERS-RAE comparison, we identified 11 differences for agency contributions greater than 5 percent. The following eight Payroll Offices had differences identified in the September 2014 headcount:

- Army Payroll Office had a 35.06-percent difference,
- Overseas Army DoD Payroll Office had a 13.46-percent difference,
- Navy Payroll Office had a 168.45-percent difference,
- Shipyard DoD Payroll Office had a 44.87-percent difference,
- Air Force Payroll Office had a 10.07-percent difference,
- ODO Payroll Office had a 23.21-percent difference,
- DoE Payroll Office had a 25.38-percent difference, and
- HHS Payroll Office had a 45.14-percent difference.

Additionally, there were three differences identified for the pay period ending November 29, 2014. The ODO Payroll Office had a 37.16-percent difference, the Navy Payroll Office had a 7.14-percent difference, and the VA Payroll Office had a 117.11-percent difference. DFAS management did not provide an explanation for these differences.

### ***Procedure 6.b.***

Calculate employee withholdings and employer contributions for health benefits for the three pay periods selected in step 1.a., as follows:

#### **Procedure 6.b.i.**

Multiply the number of employees enrolled in each health benefits plan and plan option by the employee withholdings and employer contributions for the plan and option.

**Procedure 6.b.ii.**

Sum the totals in step 6.b.i. and compare the result with the Health Benefit withholding and contribution amounts shown on the RITS submissions. Report any differences (e.g., gross rather than net) between the calculated amounts and the amounts reported on the RITS submissions that are greater than 5 percent of the amounts on the RITS submission, and obtain management's explanation for the differences.

**Results**

We identified two differences for employee withholdings and agency contributions greater than 5 percent for this comparison. The Military Sealift Command Payroll Office had differences of 6.85 and 7.95 percent in employee withholdings and agency contributions, respectively for the pay period ending March 07, 2015. DFAS personnel stated that these differences occurred because of retroactive and manual adjustments made to correct the different types of transactions.

**Procedure 6.c.**

Calculate the Basic Life Insurance employee withholdings and employer contributions for the three pay periods selected in step 1.a., as follows:

**Procedure 6.c.i.**

Obtain a payroll system query from APP personnel to obtain the total number of employees with Basic Life Insurance coverage and the aggregate annual basic pay for all employees with Basic Life Insurance.

**Procedure 6.c.ii.**

For employee withholdings: Add the product of 2,500 times the number of employees with Basic Life Insurance coverage from step 6.c.i. above to the aggregate annual basic pay for all employees with Basic Life Insurance from step 6.c.i. above to calculate the estimated total Basic Life Insurance coverage. Divide this calculated total by 1,000 and multiply it by the withholding rate required by law. The life insurance withholding rates are found in the FEGLI Program Booklet on OPM's website.

**Procedure 6.c.iii.**

Compare the result in step 6.c.ii. to the withholdings for Basic Life Insurance coverage reported on the RITS submission. Report any difference (i.e., gross rather than net) between the estimate and the amount of withholdings reported on the RITS submission greater than 5 percent of the amounts on the RITS submission, and obtain management's explanation for the difference.

**Procedure 6.c.iv.**

For agency contributions: Divide the results of step 6.c.ii. by 2; this approximates agency contributions, which are one-half of employee withholdings. Compare this

result to the amount reported on the RITS submission. Report any differences (i.e., gross rather than net) between the estimated amount and the actual amount reported on the RITS submission that are greater than 5 percent of the amounts on the RITS submission, and obtain management's explanation for the differences.

## *Results*

We did not identify any differences greater than 5 percent for this comparison.

### **Procedure 6.d.**

Calculate the Option A, Option B and Option C life insurance coverage withholdings for the three pay periods selected by using detail payroll reports used to reconcile the RITS reports in Step 1. In addition to the information used for step 1, the reports should include the employee's date of birth, annual rate of basic pay, and number of multiples selected for Option B and C.<sup>7</sup>

#### **Procedure 6.d.i.**

Multiply the number of employees in each age group by the appropriate rate for Option A in accordance with the rates for age groups provided in the FEGLI Program Booklet.

#### **Procedure 6.d.ii.**

Compare the result in step 6.d.i. to the amounts for Option A reported on the RITS submissions. Report any differences (i.e., gross rather than net) greater than 2 percent of the amounts on the RITS submission, and obtain management's explanation for the differences.

## *Results*

We identified one difference for Option A employee withholdings. The HHS Payroll Office had a 3.81-percent difference for the pay period ending March 7, 2015. DFAS management stated that the difference was caused by a debt the employee owed to the government.

#### **Procedure 6.d.iii.**

Segregate the reports for Option B and Option C insurance into the age groups shown in the FEGLI Program Booklet. For Option B, round the employee's annual rate of basic pay up to the next 1,000, then divide it by 1,000, and then multiply this amount by the rate for the age group by then multiplying this by the number of multiples:

*(Annual rate of basic pay (rounded up) / 1,000 \* rate \* multiples).*

For Option C, multiply the rate for the age group by the number of multiples chosen for each employee.

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<sup>7</sup> While similar to step 2.j., the calculation at this step is for the entire amount reported on the RITS submissions for the three pay periods selected, as opposed to the sample of 25 employees in step 2.j.

**Procedure 6.d.iv.**

Compare the result in step 6.d.iii. to the amounts for Option B and Option C, respectively, reported on the RITS submissions. Report any differences (i.e., gross rather than net) greater than 2 percent of the amounts on the RITS submission for Option B or Option C, and obtain management's explanation for the differences.

**Results**

We identified one difference for Option B employee withholding. The ODO Payroll Office had a 2.24-percent difference for the pay period ending September 6, 2014. DFAS management stated that the difference was caused by a retroactive transaction, which caused an inaccurate transaction being withheld.

We identified three differences for Option C employee withholding. The ODO Payroll Office had a 2.33-percent difference for the pay period ending September 6, 2014. The Overseas DoD Payroll Office had a 4.72-percent difference, and the HHS Payroll Office had a difference of 2.76 percent for the pay period ending March 7, 2015. DFAS Management explained that the differences are due to refunds caused by employee life insurance elections in 2015 and additional FEGLI refunds in years 2011-2014.

**Procedure 7.**

Compare the list of field offices/duty stations to the list of local CFC campaigns obtained from OPM's Office of CFC Operations (OCFCO).

**Procedure 7.a.**

Determine in which campaign each field office/duty station is located.<sup>8</sup>

**Results**

We determined the campaign for each field office/duty station location.

**Procedure 8.**

Compare the list of accounting codes to the identified campaigns for each field office/duty station.

**Procedure 8.a.**

Determine the accounting code for each field office/duty station.

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<sup>8</sup> Note: It is possible for a field office/duty station to be in a location with no local CFC campaign.



### **Procedure 8.b.**

Determine if the name of the campaign, the PCFO, and address of the PCFO in the APP system agree to the information for that field office/duty station on the list of local CFC campaigns obtained from OPM's OCFCO.

### **Results**

We found four differences when we compared the name of the campaign, the PCFO, and the PCFO address with the DCPS CFC information and the OPM CFC information. There were two differences in PCFO names and two differences in PCFO addresses. DFAS management did not explain why these four differences occurred. See Tables 2 and 3 for the details of the 4 differences by category.

*Table 2. Principal Combined Fund Organization Name Differences*

Campaign Number	PCFO Name per OPM	PCFO Name per DCPS
0791	c/o United Way of the Black Hills	c/o UW of Rapid City
0808	c/o United Way of Greater Chattanooga	c/o UW GRTG Knoxville, Inc.

*Table 3. Principal Combined Fund Organization Address Differences*

Campaign Number	PCFO Address per OPM	PCFO Address per DCPS
0689	35 N. Park Street, Ste 179, Mansfield, OH 44902	35 N Park St, Mansfield, OH 44902
0926	29 E Sumach, P.O. Box 1134, Walla Walla, WA 99362	PO Box 1134, Walla Walla, WA 99362

## **Procedure 9.**

Sort the report of all employees with CFC deductions by Official Duty Station.

### **Procedure 9.a.**

Compare the Official Duty Stations to the campaigns identified for those locations.

### **Procedure 9.b.**

Compare the Accounting Codes for each employee with CFC deductions to the accounting code identified for that employee's Official Duty Station. Determine if this agrees to the accounting code identified for that field office/duty station.

### **Results**

We determined that 997 out of 99,221 employees with CFC deductions in the March Semiannual Headcount pay periods had incorrectly coded CFC deductions. We identified 193 differences for the Army; 119 differences for the Navy; 77 differences for the Air Force;

18 differences for the National Guard; 126 differences for ODOs serviced by DFAS, Defense Logistics Agency (DLA), and Washington Headquarters Service (WHS); 29 differences for DoE; 81 differences for HHS; and 354 differences for VA. We provided detailed information of our results to OPM in a separate document.

Army representatives provided the following responses based on their review of the 193 differences:

- In 19 cases, differences occurred because the employee had an official duty station location different from where they work and live.
- In nine cases, differences occurred because the employees moved after they completed their CFC pledge form.
- In eight cases, the employees made their CFC pledges using MyPay and the Army representatives stated they cannot validate the pledge form input for four of the eight forms. Army representatives stated they were able to validate the input for four of the eight forms and determined that the information in the pledge form was the same as the information in DCPS.
- In five cases, differences occurred because employees used either the incorrect campaign code in DCPS or an incorrect geolocation code. Army representatives stated they made the appropriate corrections in DCPS.
- In 57 cases, employees had the correct information on the CFC pledge form; therefore, no corrective action was necessary.
- In 18 cases, employees could not have their CFC pledge form information verified.
- In 77 cases, employee differences are still being researched.

Air Force representatives provided the following responses based on their review of the 77 differences:

- In 33 cases, differences occurred because the employee did not complete the pledge form for the campaign covering their official duty station. Air Force personnel stated that individuals in charge of providing CFC pledge forms had a different understanding of OPM's rules for CFC.
- In 40 cases, differences occurred because the employee moved after they completed their CFC pledge form.
- In one case, the difference occurred because there was an incorrect code in DCPS.
- In one case, the difference occurred because the employee did not have their contribution processed by the Air Force.
- In two cases, differences occurred because the employees no longer worked for the Air Force.

Of the 126 ODO differences, 71 employees are serviced by DFAS, 36 employees are serviced by DLA, 13 employees are serviced by WHS, and 6 employees had an undetermined servicing agency. For the 71 DFAS differences, DFAS representatives stated:

- In 16 cases, differences occurred because the employees moved to a different location during the year and the campaign code did not change when they moved.
- In 28 cases, differences occurred because employees CFCs contributions were not processed by DFAS Human Resource offices.
- In 17 cases, differences occurred because employees were processed with the Greater Indiana Area CFC code #0283 rather than the Greater North Carolina CFC code #0656. DFAS representatives stated that they made the corrections in the system and contacted the campaign representative for the Greater Indiana Area campaign to transfer the funds to the Greater North Carolina campaign.
- In two cases, differences occurred because employees at DFAS Limestone did not have a campaign identified in DCPS, but they have been in the same location for several years. DFAS representatives stated that they did not have sufficient information to determine the reasons for these differences and whether any corrective action is needed.
- In eight cases, differences occurred because the employees had an official duty station location different from where they live. DFAS representatives stated that realignments, reorganizations, and teleworking can cause these differences and stated they did not take any corrective action for these eight differences.

DLA representatives sent a memorandum explaining that CFC is an employee elective program and the systems are not built to validate campaign numbers against employee's home of record, duty station, or other locations. In addition, management would not engage in a corrective action or stop pledges that have been initiated without the employee's permission. However, for 6 of the 36 differences, they sent copies of the employee's pledge forms. Based on our review and comparison with the DCPS and OPM data, we concluded that 4 of the 6 employees moved after they completed their CFC pledge form. For the remaining 2 employees, we were not able to verify this information because DLA representatives sent a non-current CFC form. For 13 differences, DLA representatives stated 11 employees moved after they completed their CFC pledge form; for 1 employee we determined the employee's SF-50 had the incorrect duty station code, so the employee's duty station was incorrect in DCPS; and for 1 employee the CFC campaign code was incorrect in DCPS. For the remaining 17 differences, DLA representatives stated they were not responsible for processing these employees' CFC deductions.

For the 13 WHS differences, WHS representative stated that 11 differences occurred because employees at the Raven Rock Mountain Complex were contributing to the Chesapeake Bay Area CFC campaign #0405 and the CFC National Capital Area campaign #0990 when they should have been contributing to the Chambersburg Area

CFC campaign #0740. WHS representatives stated that for the next CFC campaign, they will ensure the CFC pledge forms for the #0740 campaign are correctly distributed at the Raven Rock Mountain Complex. For the remaining two differences, WHS representatives stated that these employees moved after they completed their CFC pledge form.

DoE representatives stated that, since OPM instituted the Universal Giving Campaign in 2014, no corrective action was necessary.

HHS representatives stated that neither of the two systems used by the employees to enter their CFC information have edit checks to compare and validate that the accounting code entered agrees with the employee's assigned duty station. HHS representatives suggested that the CFC Campaign Manager works with the owners of both systems to identify edit routines to validate the information entered by the employee. HHS representatives also suggested that the CFC Campaign Manager continue their training program and emphasize employee selection of the correct CFC accounting code.

The Navy, National Guard, and VA did not provide explanations for their differences.

## Procedure 10.

From the list of accounting codes that do not agree with the field office/duty station, select a judgmental sample of four pledges per federal agency and request the hard copy pledge form or electronic copy of the pledge form from the agency. Determine if the pledge form used was for the correct campaign based on the official duty station.

Report as findings the following:

- a. All instances in which the name of the campaign, PCFO, or address of the PCFO on the list of accounting codes from the Federal Payroll Office does not match the information on the list of all local CFC campaigns obtained from OPM's CFC. A chart detailing the differences should be included. Obtain management's explanation for the differences and a corrective action plan.
- b. All instances in which a federal agency has a CFC deduction for an employee whose official duty station is in an area with no local CFC campaign. A chart listing the Federal agency, the duty station code, and the campaign receiving the funds should be included. Obtain management's explanation for the differences and a corrective action plan.

- c. All instances in which the accounting code for an employee with the CFC deductions does not agree to the accounting code for the employee's Official Duty Station. A chart listing the Federal agency, the duty station code, the campaign used, and the correct campaign should be included. Obtain management's explanation for the differences and a corrective action plan.
- d. All instances in which the incorrect pledge form was used by the employee. A chart listing the Federal agency, the correct campaign, and the campaign used should be included.

## Results

We nonstatistically selected 32 pledges. Agencies did not provide 23 pledges. For the 9 pledge forms provided, we determined that:

- seven employees filled out the incorrect campaign pledge form based on the employee's official duty station,
- one pledge form was correctly prepared but the campaign information was incorrectly entered in DCPS, and
- one pledge form was incomplete and unverifiable.

See Table 4 for the incorrect campaign code by organization.

*Table 4. Incorrect Employee Pledge Form by Organization*

Federal Organization	Correct Campaign Code	Campaign Code Used
Navy	0897	0639
Air Force	0052	0990
Other Defense Organizations	0740	0405
Department of Energy	0141	0990
	0560	0606
	0845	0372
	*	0372

\* There is no local campaign for the duty station reviewed.

# Acronyms and Abbreviations

<b>APP</b>	Agency Payroll Provider
<b>AUP</b>	Agreed-Upon Procedure
<b>CFC</b>	Combined Federal Campaign
<b>CSRS</b>	Civil Service Retirement System
<b>DCPS</b>	Defense Civilian Pay System
<b>DFAS</b>	Defense Finance and Accounting Service
<b>DLA</b>	Defense Logistics Agency
<b>DoE</b>	Department of Energy
<b>FEGLI</b>	Federal Employees Group Life Insurance
<b>FEHB</b>	Federal Employees Health Benefit
<b>FERS</b>	Federal Employees Retirement System
<b>FERS-FRAE</b>	Federal Employees Retirement System – Further Revised Annuity Employees
<b>FERS-RAE</b>	Federal Employees Retirement System – Revised Annuity Employees
<b>HHS</b>	Department of Health and Human Services
<b>OCFCO</b>	Office of Combined Federal Campaign Operations
<b>ODO</b>	Other Defense Organizations
<b>OPF</b>	Official Personnel File
<b>OPM</b>	Office of Personnel Management
<b>PCFO</b>	Principal Combined Fund Organization
<b>RITS</b>	Retirement and Insurance Transfer System
<b>SF</b>	Standard Form
<b>VA</b>	Department of Veterans Affairs
<b>WHS</b>	Washington Headquarters Agency



# **Whistleblower Protection**

## **U.S. DEPARTMENT OF DEFENSE**

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